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# Message Text

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PAGE 01 KAMPAL 01034 201600 Z

42
ACTION AF-18

INFO OCT-01 ADP-00 FTC-01 EB-11 COME-00 INT-08 TRSE-00

PM-09 L-03 H-02 AID-20 NSC-10 RSC-01 CIEP-02 SAL-01

SS-14 STR-08 OMB-01 CEA-02 PA-03 PRS-01 USIE-00

CIAE-00 INR-09 NSAE-00 OPIC-12 NEA-10 INRE-00 SSO-00

CCO-00 NSCE-00 RSR-01 JUSE-00 /148 W
---------- 101231
O 201315 Z MAR 73
FM AMEMBASSY KAMPALA
TO SECSTATE WASHDC IMMEDIATE 2184

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E. O. 11652: NA
TAGS: ETRD UG US

SUBJECT: DISCRIMINATION AGAINST US OIL COMPANIES

REF: STATE 49724

1. EMBECONOFF ATTENDED MEETING BETWEEN ESSO REP AND GERIA MARCH 19. REPORT ON THAT MEETING CONTAINED SEPTEL. FOLLOWING ARE ANSWERS FROM CALTEX AND ESSO TO QUESTIONS RAISED REFTEL.

2. ASSURANCES RECEIVED BY US OIL COMPANIES THAT THERE WOULD BE NO DISCRIMINATION AGAINST THEIR OPERATING IN UGANDA WERE GIVEN VERBALLY IN MID-1971 TO OIL COMPANY REPS BY MINISTER OF COMMERCE AND INDUSTRY LUTARA, PERMSEC MIN OF COMMERCE AND IND MUBANDA, AND TREASURY SECRETARY GERIA. ASSURANCES WERE GIVEN FOLLOWING AMIN GOVERNMENT ACTION RESCINDING OBOTE GOVERNMENT DECREE REQUIRING 60/40 OWNERSHIP OF OIL COMPANIES. US COMPANIES WERE INFORMED AT THAT TIME THAT GOVERNMENT PARTICIPATION NO LONGER REQUIRED AND THEY WERE FREE TO CONTINUE OPERATING AS PRIVATE COPANIES HERE WITHOUT FEAR OF DISCRIMINATION. REPEAT THAT THIS WAS ALL VERBAL WITH EXCEPTION OF LETTER INFORMING
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THEM OF CANCELLATON OF OBOTE 60/40 DECREE.

3. CALTEX REP HAS CHANGED ESTIMATED LOSS TO BE ABOUT 27 PERCENT THEIR BUSINESS. CLAIMS CALTEX WOULD STILL CONTINUE IN BUSINESS HERE AND COULD EVEN MAKE PROFIT. ( HIGHEST PROFIT MARGINS IN INDUSTRY HERE ARE IN PRIVATE SALES NOT YET AFFECTED.) CALTEX REACTION TO LOSS OF BUSINESS WOULD BE TO " GET AT SHELL" THROUGH SALES OF EQUIPMENT AND IN MARKETING AREAS OUTSIDE UGANDA.

4. ESTIMATE IS THAT MOBIL WOULD LOSE BETWEEN 5 AND 10 PERCENT OF THEIR BUSINESS AS RESULT OF GOU ACTION. ESSO AND CALTEX EACH HAVE ABOUT 20 PERCENT OF THE OVERALL UGANDAN MARKET WHICH MEANS ABOUT 600,000 BILLS. ANNUALLY EACH ( AT ROUGHLY A $10 PER BBL AVERAGE PRICE). MOBIL HAS ABOUT 6 PERCENT THE MARKET AT ANNUAL SALES OF ABOUT 200,000 BBLS AT $15 AVERAGE COST PER BBL. THIS IS CAUSED BY MOBIL SALES MIX WHICH IS HEAVIER ON GASOLINE THAN THE OTHER COMPANIES.

5. ESSO AGREEMENT WITH UGANDA TEA GROWERS CORPORATION IS SALES CONTRACT CALLING FOR SUPPLY OF ALL PETROLEUM REQUIREMENTS FOR 5 YEARS ( ENDING 1974). PRICE IS SET AT CERTAIN DISCOUNT FROM POSTED PRICES. THERE IS NO PENALTY CLAUSE FOR BREACH OF CON-TRACT. ESSO INFORMS US THEY WOULD NOT TAKE TEA GROWERS CORP TO COURT ON GROUNDS OF BROKEN CONTRACT AS THIS WOULD " PROBABLY GET THE LAWYER KILLED".

6. ESSO PLANS NO ACTION AGAINST GOU OR CONNECTED BODIES SHOULD GOU HOLD TO PRESENT COURSE OF ACTION. ESSO WOULD APPARENTLY RETALIATE SEVERELY AGAINST 3 PARTICIPATING COMPANIES, MAINLY SHELL, TO SHOW THEM THEY CAN' T PLAY THE GAME THIS WAY. ASKED WHAT RETALIATORY STEPS ARE POSSIBLE, ESSO REP REPLIED THAT INTERNATIONAL OIL BUSINESS IS INTERCONNNECTED ALL OVER THE WORLD AND ACTION COULD BE TAKEN BY ESSO OUTSIDE UGANDA AGAINST SHELL. SHELL WOULD BE WELL AWARE OF THE CAUSE OF THIS ACTION ACCORDING TO ESSO AND CALTEX REPS. IN UGANDA SPECIFICALLY, ESSO AND CALTEX BOTH HAVE EQUIPMENT ( PUMPS AND STORAGE TANKS) REQUIRED BY THE OTHER COMPANIES. ESSO AND CALTEX WOULD APPAR-ENTLY " MILK" THE OTHER THREE COMPANIES IN RENTALS OR SALES OF THIS EQUIPMENT. ( CALTEX SUGGESTED THEY MIGHT PULL OUT CERTAIN PUMPS AND OTHER EQUIPMENT FOR USE ELSEWHERE TO FORCE SHELL, TOTAL AND AGIP TO PURCHASE MORE EXPENSIVE NEW EQUIPMENT).

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UM GOVERNMENT BODIES AFFECTED BY THIS GOU ACTION HAVE ALSO

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BE
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*** Current Handling Restrictions *** n/a
*** Current Classification *** LIMITED OFFICIAL USE

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